

2002 HIGHER SCHOOL CERTIFICATE EXAMINATION
Economics

Section II

40 marks

Attempt Questions 21–24

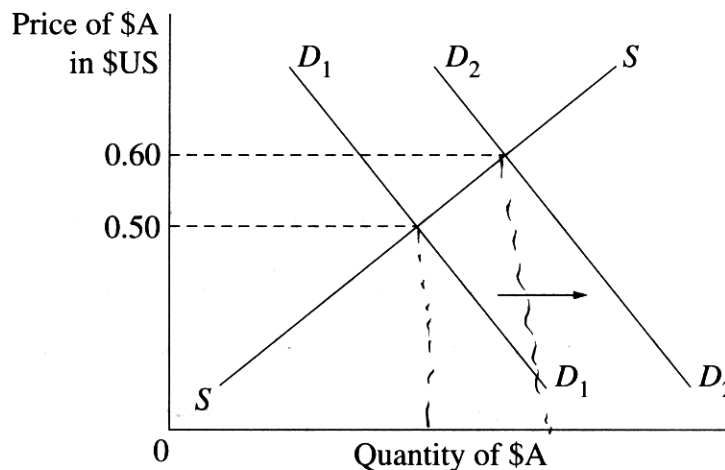
Allow about 1 hour and 15 minutes for this section

Answer the questions in the spaces provided.

Marks

Question 21 (10 marks)

The diagram shows information about the demand and supply of Australian dollars (\$A) in terms of United States dollars (\$US). Both countries have flexible exchange rates.



- (a) State the economic term given to the movement of the exchange rate of the \$A from \$US0.50 to \$US0.60. 1

from 0.50 to US\$0.60 the quantity of \$A are increasing.

- (b) Outline TWO causes of an increase in demand for \$A. 2

Through increase in demand for \$A which means there's more people ^{foreigner} invest in Aust and also Australia's activities and growth are going better as well.

Question 21 continues on page 10

Question 21 (continued)

- (c) Briefly explain how the Reserve Bank could intervene in the foreign exchange market to influence the exchange rate of the \$A. 3

As RBA may use monetary policy to control the ^{exchange} rate of \$A. ~~then~~ Through decreasing the rate of \$A to attract foreigners to invest in Australia, therefore it will increase the demand and supply of ~~money~~ \$A. And also RBA will ~~can~~ control ^{to change} the inflation rate ~~to~~ ~~through~~ which is influence by exchange rate.

- (d) Discuss TWO economic benefits to Australia of an appreciation of the \$A. 4

Through appreciation of ^{the} \$A, there's attract more people to invest in Australia. And demand of \$A increase which is also benefits for ~~the~~ Australia.

As appreciation of the \$A which will increase the ~~demand~~ export and Import trade. which is a big benefits for Australia.

End of Question 21